

Arab Countries in Transition

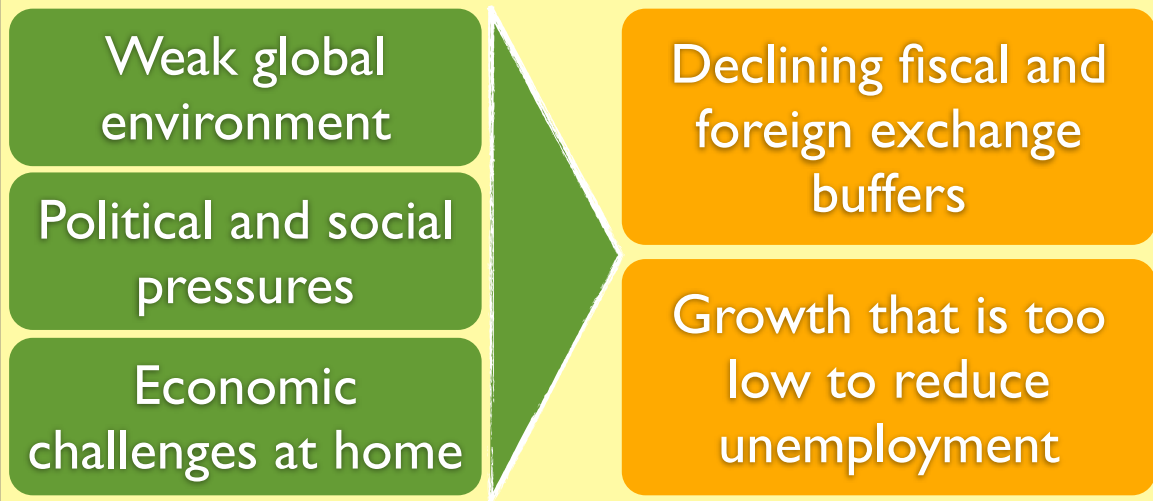
Economic Outlook, Key Challenges, Fund Engagement



London School of Economics
June 28, 2013

The bottom line

The problems



Need for policy package



Need for support from international community

Weak global environment

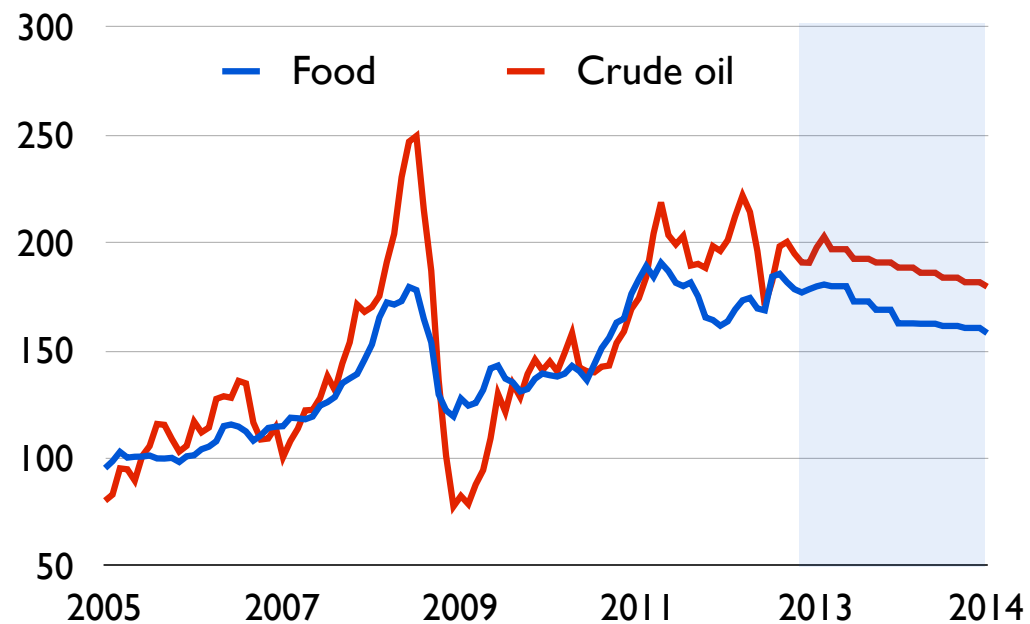
Recession in the Euro area....

(Real GDP growth, percent)

| | World | Euro Area | MENA |
|------|-------|-----------|------|
| 2012 | 3.2 | -0.6 | 4.8 |
| 2013 | 3.3 | -0.3 | 3.1 |
| 2014 | 4.0 | 1.1 | 3.7 |

...and continuation of high commodity prices

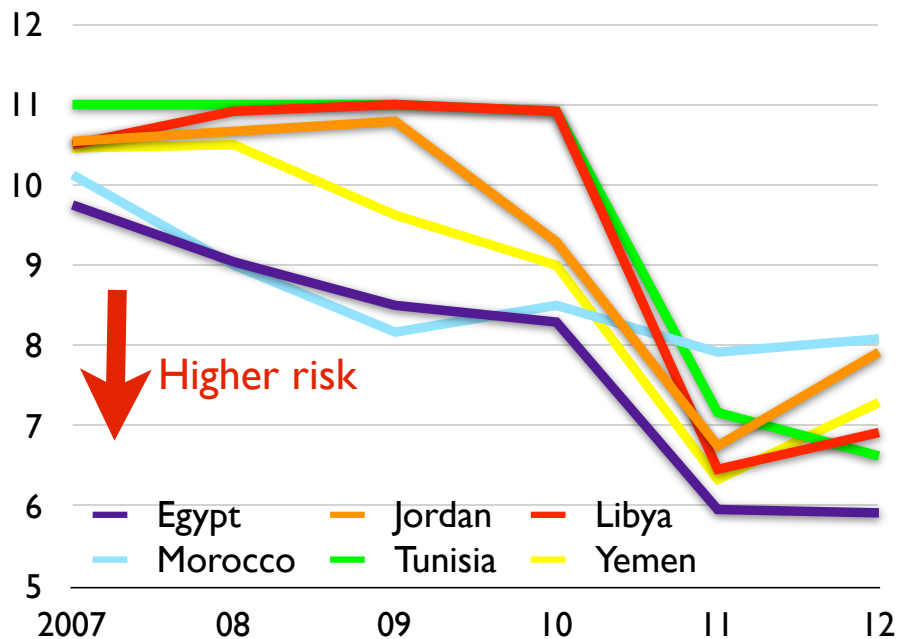
(Index; 2005=100)



Sources: IMF, World Economic Outlook (April 2013).

Political and social pressures

Government stability is low...



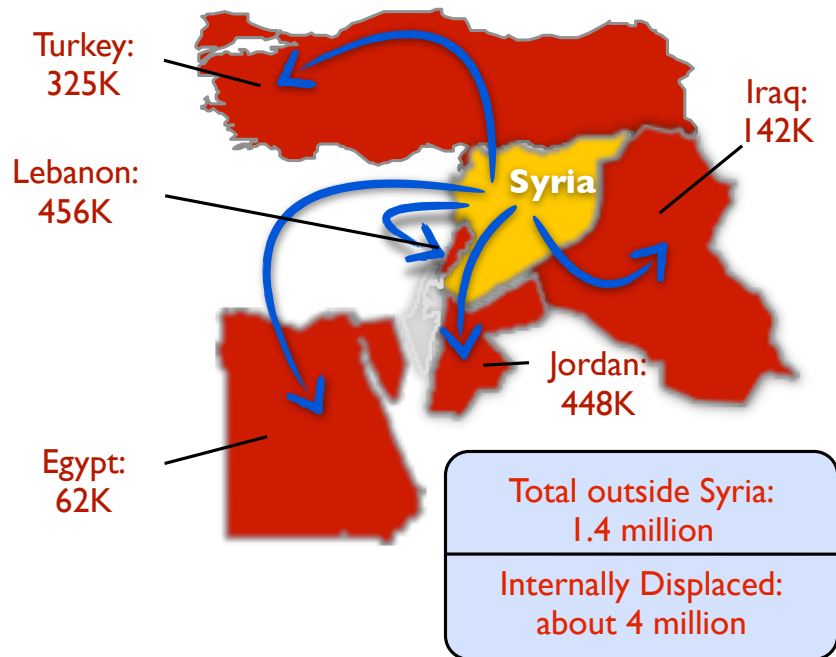
...and uncertainties persist

| | EGY | JOR | LBY | MAR | TUN | YMN |
|--------------------------------|------------|---------|-----------|---------|------------|----------|
| Elections | 2013 | Jan-13 | Jul-12 | Nov-11 | Oct-13 | Feb-14 |
| Horizon of current government | < 9 months | 4 years | < 2 years | 4 years | < 9 months | < 1 year |
| Planned constitutional reforms | | | ✓ | | ✓ | ✓ |

Source: The PRS Group, International.

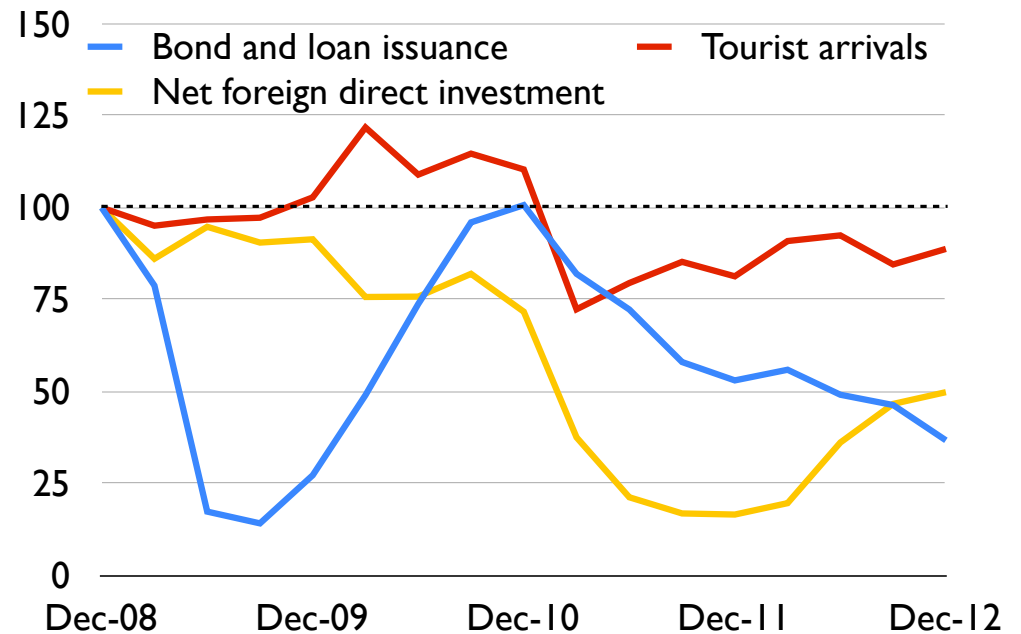
Economic challenges at home

Spillovers from Syria...



...and low levels of confidence¹

(Index, cross-country averages; 2008:Q4=100)



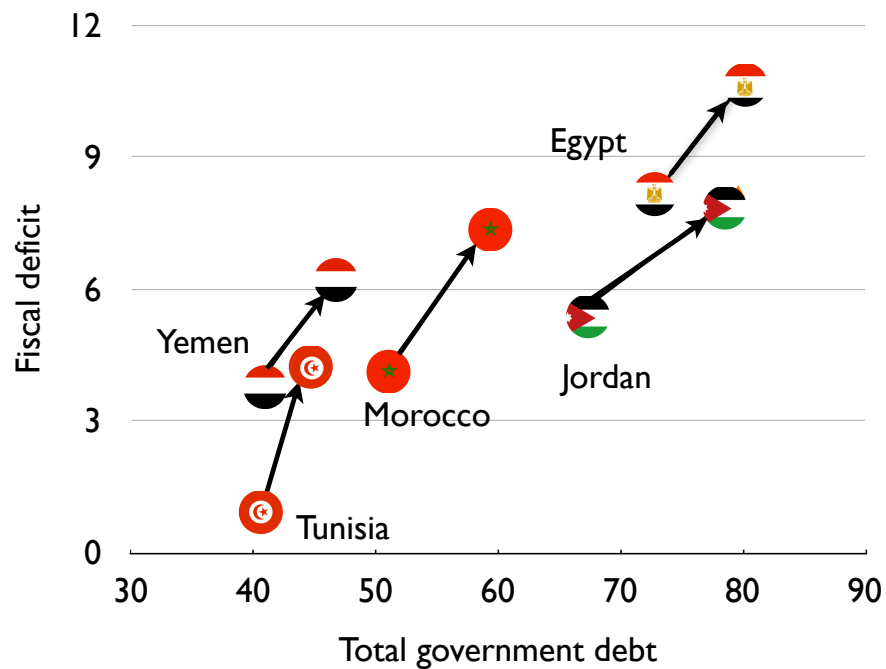
Sources: Dealogic; Haver Analytics; UNHCR, Internal Displacement Monitoring Centre; and UNWTO, World Tourism Barometer.

¹Includes Egypt, Jordan, and Tunisia.

Declining fiscal and foreign exchange buffers

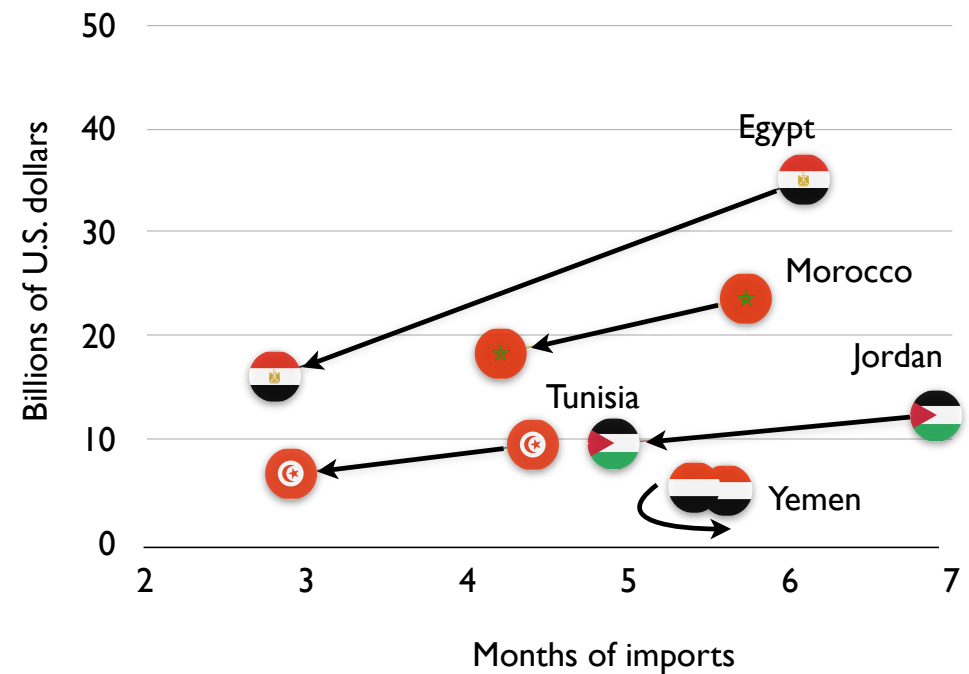
High and increasing fiscal deficit and debt...

(Percent of GDP, 2010 vs. 2012)



...and low and declining foreign reserves

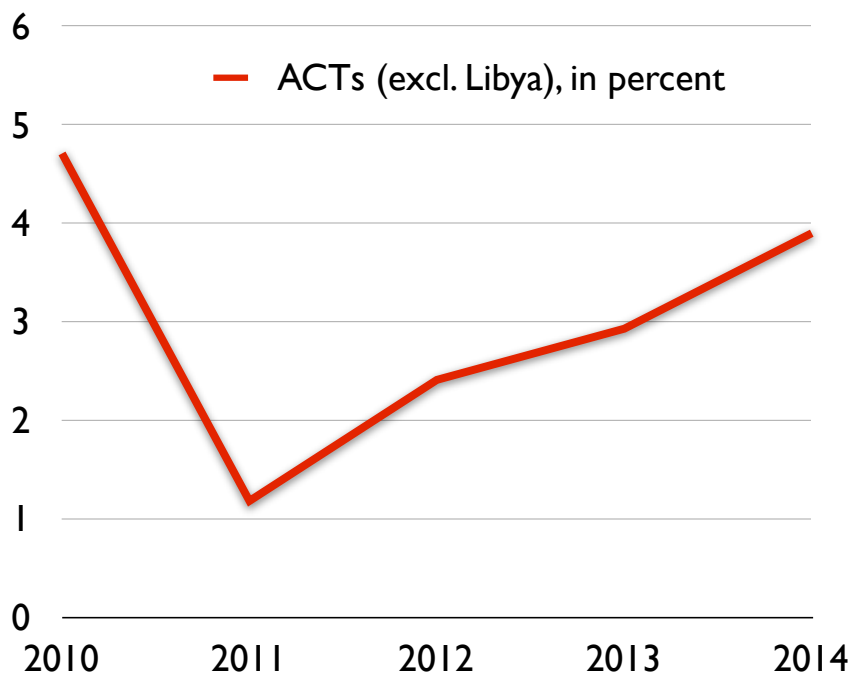
(2010 vs. April 2013, or latest available)



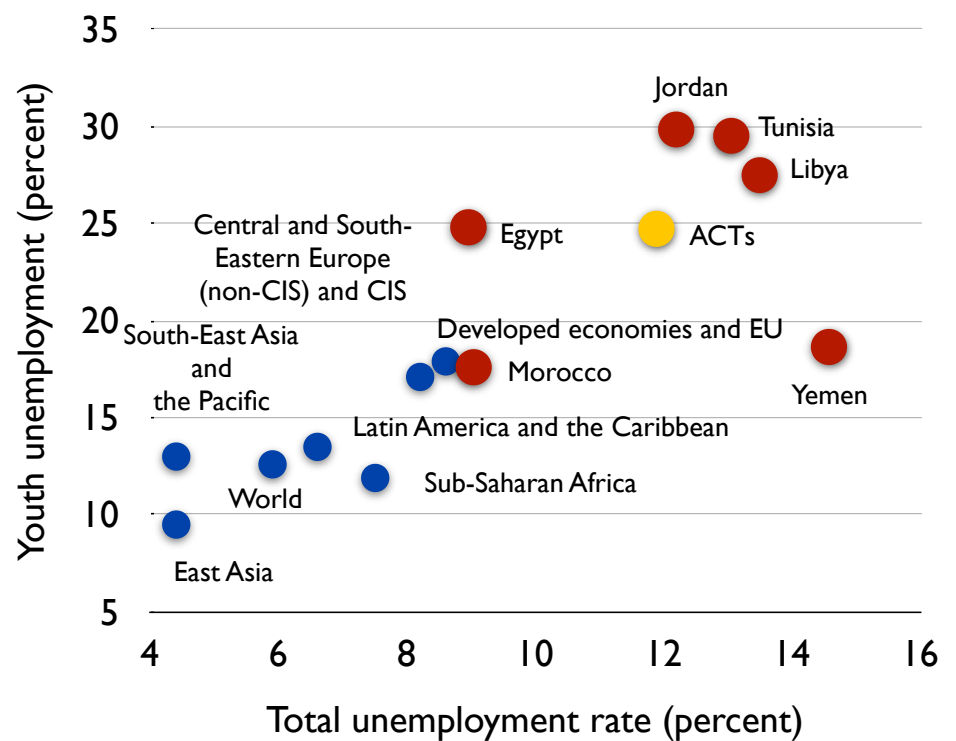
Sources: National authorities; and IMF staff calculations.

Growth that is too low to reduce unemployment

Modest GDP growth...



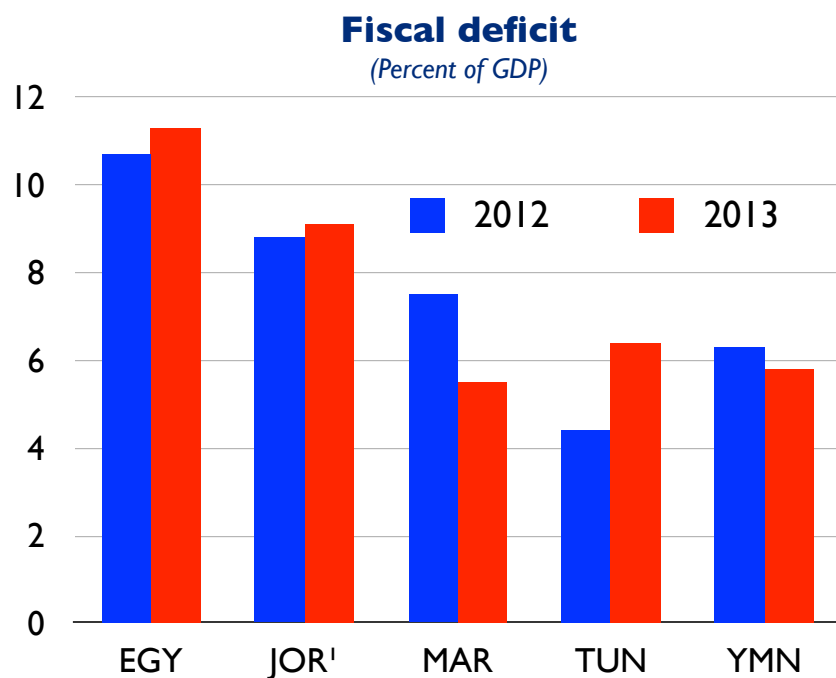
... but very high levels of (youth) unemployment (Latest available date, percent)



Sources: ILO, national authorities; and IMF staff calculations.

The policy packages: short-term stabilization...

Need for fiscal consolidation...



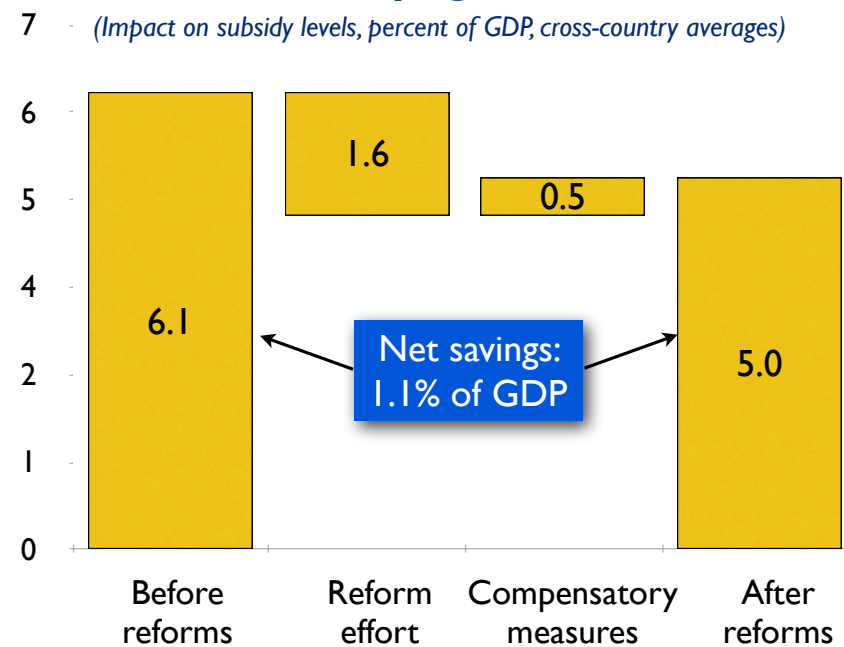
Sources: National authorities; and IMF staff calculations.

¹Includes transfers to the electricity company.

*Excluding Libya.

...means subsidy and safety net reforms

ACTs: Already agreed reforms*
(Impact on subsidy levels, percent of GDP, cross-country averages)



...and medium-term plan for jobs and growth

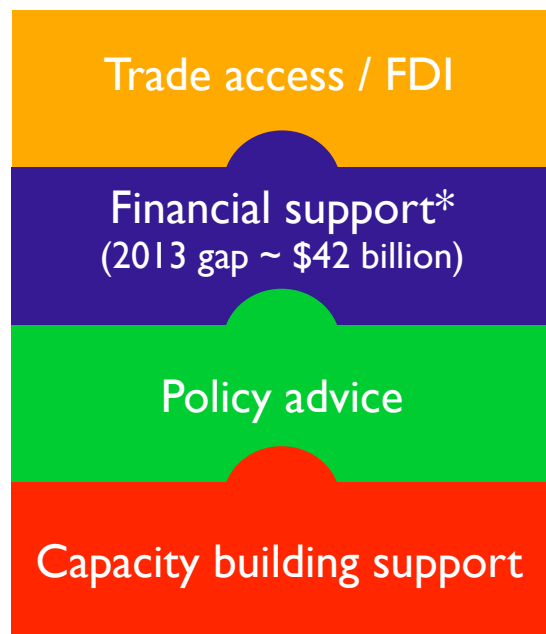
1.1 million more people unemployed than in 2010

1.3 million new entrants into job market since 2010



Need for support from international community

Four priorities...



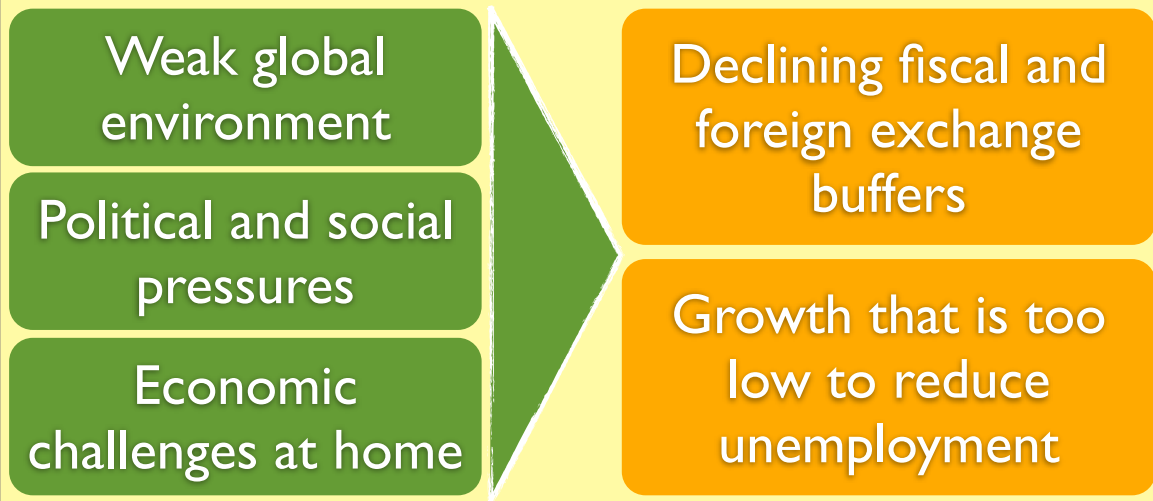
... and IMF involvement



* Total official disbursements between January 2011 - February 2013 were \$31 billion, of which 39% came from the GCC and 21% from IFIs.

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